

LEGISLATIVE RESEARCH SERVICES

31st Alaska Legislature
LRS Report 20.019
July 31, 2019



(907) 465-3991 phone
research@akleg.gov

ConocoPhillips: Adjusted Net Earnings in Selected Jurisdictions per Barrel of Oil Equivalent, 2012-2018 and 2019 YTD

Timothy Lash, Legislative Analyst

What are the adjusted net earnings for ConocoPhillips per barrel of oil equivalent among its broad geographic areas of operation?¹

The attached Table 1 provides adjusted net earnings (ANE) and ANE per barrel of oil equivalent (BOE) for broadly defined geographic areas of the exploration and production (E&P) operations of ConocoPhillips (COP) for the first two quarters of 2019, including year-to-date (YTD) totals.² Also, the attached Table 2 provides ANE and BOE for the full years 2012 through 2018.

Throughout the period of review, Alaska remained profitable, including when crude prices dropped precipitously in 2014 and led to dramatic industry-wide revenue collapse. Alaska North Slope (ANS) crude fell from per barrel spot prices of about \$108 in May 2014 to \$46 in late January 2015. After a slight recovery to around \$60 p/bbl in spring of 2015, prices continued the march downward, reaching \$27 in January 2016, before beginning a slow recovery. In 2016, the worst earnings year for COP within the period of review, the company saw Alaska ANE of \$233 million while global corporate losses reached over \$3.3 billion. In 2018, Alaska ANE per BOE (\$24.11) compared favorably to other areas at more than double the global figure (\$11.38). Production in the state accounted for approximately 14.5 percent of the company's global 1.283 billion BOE production, but roughly 30.7 percent of global adjusted net income, in 2018.

In the first two quarters of 2019, Alaska E&P operations generated ANE of \$765 million on average daily BOE production of 223,000. While petroleum prices remained low, YTD results show the state's portions of COP's ANE (33.4 percent) and global BOE production (16.6 percent) increased from 2018.

We hope this is helpful. If you have questions or need additional information, please let us know.

¹ "Barrel of oil equivalent" (BOE) expresses the amount of a given petroleum product required to equal the energy contained in one standard U.S. barrel of crude oil (42 gallons). For instance, a generally accepted BOE approximation for natural gas is 5,800 cubic feet (5.8 Mcf). Please note, the BOE measure is primarily useful as a means of comparing the total hydrocarbon energy produced among geographic locations. Because it does not capture widely varying economic factors underlying that production, drawing conclusions on profitability based solely on this table is problematic.

² "International" includes operations reported separately to the SEC in the regions of Asia Pacific/Middle East, Europe/North Africa, Other International, and in Canada. Latin American operations, for years in which the company generated production in that region, are included in "Lower 48" reporting. Filings to the SEC can be retrieved at <https://www.sec.gov/edgar/searchedgar/companysearch.html>.

**Table 1: ConocoPhillips Adjusted Net Earnings (ANE) and ANE per Barrel of Oil Equivalent (BOE)
in Selected Geographical Areas, 2019 Year-to-Date (YTD)**
(ANE in Millions of \$)

Year	Alaska		Lower 48		International		Global Total	
	ANE	ANE per BOE	ANE	ANE per BOE	ANE	ANE per BOE	ANE	ANE per BOE
Q1 2019	\$ 384	\$ 18.71	\$ 240	\$ 6.44	\$ 524	\$ 8.10	\$ 1,148	\$ 9.37
Q2 2019	\$ 381	\$ 19.29	\$ 331	\$ 8.08	\$ 431	\$ 7.12	\$ 1,143	\$ 9.43
2019 YTD	\$ 765	\$ 18.95	\$ 571	\$ 7.30	\$ 955	\$ 7.64	\$ 2,291	\$ 9.40

Notes: This table is based on adjusted net earnings in ConocoPhillips (COP) broad geographical areas of operation, including after-tax items such as costs for cancelled projects, asset sales, tax loss carry-forward realization, pending claims and settlements, and related items, where applicable. These adjustments vary widely by geography and over time, and can increase or decrease simple net earnings from zero to hundreds of millions of dollars. "Global Total" includes the "Corporate and Other" line item in COP's earnings reports, with which hydrocarbon production is not necessarily directly associated, but that is reported as part of total adjusted earnings.

"International" includes operations reported separately to the SEC in the regions of Asia Pacific/Middle East, Europe/North Africa, Other International, and in Canada. Latin American operations, for years in which the company generated production in that region, are included in "Lower 48" reporting.

"Barrel of oil equivalent" (BOE) expresses the amount of a given petroleum product required to equal the energy contained in one standard U.S. barrel of crude oil (42 gallons). For instance, a generally accepted BOE approximation for natural gas is 5,800 cubic feet (5.8 Mcf). Please note, the BOE measure is primarily useful as a means of comparing the total hydrocarbon energy produced among geographic locations. Because it does not capture the multitude of factors underlying that production, drawing comparative conclusions on profitability based solely on this table is problematic.

Adjusted net income per BOE is found by dividing adjusted annual earnings by the result of multiplying daily BOE production by the number of days in a given year. The data in this table may differ from those previously reported by this agency due to amendments to Securities and Exchange Commission filings.

Source: Legislative Research calculations based on filings by ConocoPhillips with the U.S. Securities and Exchange Commission (SEC),

<https://www.sec.gov/edgar/searchedgar/companysearch.html>.

**Table 2: ConocoPhillips Adjusted Net Earnings (ANE) and ANE per Barrel of Oil Equivalent (BOE)
in Selected Geographical Areas, 2012-2018**
(ANE in Millions of \$)

Year	Alaska		Lower 48		International		Global Total	
	ANE	ANE per BOE	ANE	ANE per BOE	ANE	ANE per BOE	ANE	ANE per BOE
2012	\$ 2,301	\$ 29.60	\$ 713	\$ 4.27	\$ 4,533	\$ 18.82	\$ 6,734	\$ 11.69
2013	\$ 2,177	\$ 29.82	\$ 784	\$ 4.37	\$ 4,881	\$ 21.96	\$ 7,061	\$ 12.52
2014	\$ 2,077	\$ 31.10	\$ 861	\$ 4.43	\$ 4,574	\$ 15.21	\$ 6,609	\$ 11.60
2015	\$ 482	\$ 7.42	\$ (1,763)	\$ (8.86)	\$ 289	\$ 0.91	\$ (1,724)	\$ (2.97)
2016	\$ 233	\$ 3.57	\$ (1,893)	\$ (10.67)	\$ (558)	\$ (1.69)	\$ (3,308)	\$ (5.78)
2017	\$ 652	\$ 9.81	\$ (444)	\$ (3.05)	\$ 1,471	\$ 5.06	\$ 739	\$ 1.47
2018	\$ 1,637	\$ 24.11	\$ 1,686	\$ 11.64	\$ 2,994	\$ 11.72	\$ 5,331	\$ 11.38

Notes: Negative results in parenthesis. This table is based on adjusted net earnings in ConocoPhillips (COP) broad geographical areas of operation, including after-tax items such as costs for cancelled projects, asset sales, tax loss carry-forward realization, pending claims and settlements, and related items, where applicable. These adjustments vary widely by geography and over time, and can increase or decrease simple net earnings from zero to hundreds of millions of dollars.

"Global Total" includes the "Corporate and Other" line item in COP's earnings reports, with which hydrocarbon production is not necessarily directly associated, but that is reported as part of total adjusted earnings.

"International" includes operations reported separately to the SEC in the regions of Asia Pacific/Middle East, Europe/North Africa, Other International, and in Canada. Latin American operations, for years in which the company generated production in that region, are included in "Lower 48" reporting.

"Barrel of oil equivalent" (BOE) expresses the amount of a given petroleum product required to equal the energy contained in one standard U.S. barrel of crude oil (42 gallons). For instance, a generally accepted BOE approximation for natural gas is 5,800 cubic feet (5.8 Mcf). Please note, the BOE measure is primarily useful as a means of comparing the total hydrocarbon energy produced among geographic locations. Because it does not capture the multitude of factors underlying that production, drawing comparative conclusions on profitability based solely on this table is problematic.

Adjusted net income per BOE is found by dividing adjusted annual earnings by the result of multiplying daily BOE production by the number of days in a given year. The data in this table may differ from those previously reported by this agency due to amendments to Securities and Exchange Commission filings.

Source: Legislative Research calculations based on filings by ConocoPhillips with the U.S. Securities and Exchange Commission (SEC),

<https://www.sec.gov/edgar/searchedgar/companysearch.html>.